

Message Text

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ACTION AID-59

INFO OCT-01 ADP-00 EA-04 EB-05 L-03 INR-10 IGA-02 SS-07

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P 160939 Z MAY 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 5260

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AIDAC

E. O. 11652: N/A

TAGS: EAID, RP

SUBJECT: SUGGESTIONS FOR US STATEMENT(S) AT PHILIPPINE
CONSULTATIVE GROUP

REF: STATE 088485

THERE FOLLOW SUGGESTIONS FOR INCLUSION STATEMENT(S) OF US
DELEGATION:

1. NOTE WITH PLEASURE THAT, AS REFLECTED BOTH GOP AND IBRD/
IMF REPORTS, DEVELOPMENT POSTURE OF THE PHILIPPINES
HAS CONTINUED TO IMPROVE SINCE THE FIRST SESSION IN
OCTOBER 1970 WAS HELD TO CONSIDER FORMING THIS
CONSULTATIVE GROUP. ALSO NOTE WITH PLEASURE THAT AFTER
THE SETBACKS FROM EXTREMELY DESTRUCTIVE FLOODS OF A YEAR
AGO THE OVERALL ECONOMY HAS REGAINED MOST OF ITS
MOMENTUM AND PROSPECTS APPEAR GOOD
FOR THE FUTURE. AND THAT THE BALANCE OF PAYMENTS
POSITION OF THE PHILIPPINES HAS GREATLY IMPROVED AS A
RESULT OF VERY FAVORABLE PRICES FOR BASIC EXPORTS, A
LOWER LEVEL OF IMPORTS, AND SUBSTANTIALLY HIGHER
INVISIBLE RECEIPTS INCLUDING FOREIGN OFFICIAL AND
PRIVATE CAPITAL INFLOWS. ALSO THAT GOVERNMENT REVENUES
HAVE INCREASED DRAMATICALLY AND AN INCREASING PORTION OF
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THESE REVENUES IS GOING FOR DEVELOPMENTAL INVESTMENTS.
GOP' S GROWTH RATE TARGET OF 7 PERCENT APPEARS FEASIBLE
IF CURRENT FAVORABLE TRENDS CONTINUE.

2. ALTHOUGH FOREIGN DEBT SERVICING REMAINS A MAJOR
PROBLEM AND FOODGRAIN PRODUCTION LARGELY BECAUSE OF BAD
WEATHER HAS BEEN VERY DISAPPOINTING, ON BALANCE, THE
DEVELOPMENTAL PROSPECTS ARE SIGNIFICANTLY IMPROVED. IN
LIGHT OF THESE ENCOURAGING TRENDS, WE FEEL CG HAS
OPPORTUNITY TO ENHANCE ITS CONTRIBUTION TO ASSISTING
PHILIPPINES ACHIEVE SIGNIFICANTLY HIGHER DEVELOPMENTAL
LEVEL.

3. EXPRESS SATISFACTION WITH RESULTS OF THE DECISION
REACHED AT FIRST FORMAL MEETING OF THE CG IN APRIL 1971
TO SPONSOR A MULTILATERAL AND INTERNATIONALLY COORDINATED
APPROACH TO DEVELOPMENT OF THE ELECTRIC POWER SECTOR.
NOTE THIS FAVORABLE RESPONSE FROM CG POSSIBLE DUE TO
RELATIVELY MORE ADVANCED STAGE OF PLANNING FOR THIS SECTOR
WITHIN THE PHILIPPINE GOVERNMENT ITSELF. COMMEND ADB FOR SPEED
WITH WHICH IT HAS APPROVED AND GOTTEN UNDER WAY A \$44
MILLION LOAN PACKAGE FOR POWER GENERATION AND TRANSMISSION
IN MINDANAO AND IBRD FOR EMPHASIS AND ATTENTION IT IS GIVING TO
POWER GENERATION AND TRANSMISSION IN LUZON. NOTE WITH SPECIAL
SATISFACTION THAT THE CENTRAL PHILIPPINES - THE ONLY MAJOR MISSING
LINK IN THE PROPOSED NATIONAL SYSTEM - HAS RECENTLY BEEN SUBJECT
OF A POWER DEVELOPMENT SURVEY FUNDED BY THE GOVERNMENT OF JAPAN
AND EXPRESS HOPE THIS MIGHT LEAD TO COMPARABLE PROGRESS IN
INSTALLATION IN THIS REGION OF NEEDED POWER PLANTS AND TRANSMISSION
SYSTEMS. NOTE USAID CONTINUES BE FOCUSED ON LOCAL DISTRIBUTION
OF POWER THROUGH RURAL ELECTRIC COOPERATIVES. INDICATE WE
PREPARED CONTINUE GIVE ATTENTION TO PHILIPPINE NEEDS IN RURAL
ELECTRIFICATION AREA AND ENDORSE THE IDEA, WORKING SO WELL IN THIS
INSTANCE, OF SPECIALIZATION BY PARTICULAR DONORS ON DISTINCT
ELEMENTS OF A MULTILATERAL SUBORDINATED SECTOR PLAN. WITH SUCH
SPECIALIZATION IN MIND, WE ARE PREPARED TO CONSIDER FURTHER
TECHNICAL ASSISTANCE AND LOAN FINANCING TO EXTENT RURAL ELECTRIC
COOPERATIVES TO AREAS NOT REACHED IN THE FIRST PHASE.

4. LIKEWISE WE BELIEVE THE EMPHASIS GIVEN TO THE TRANSPORT
SECTOR AT LAST YEAR' S MEETING IN TOKYO CONTRIBUTED TO A BETTER
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UNDERSTANDING OF PHILIPPINE GOVERNMENT PLANS AND PROGRAMS
IN THIS PRIORITY FIELD AND TO A BETTER UNDERSTANDING OF EACH
DONOR' S PARTICIPATION. IT IS MOST ENCOURAGING THAT SO MANY
MAJOR TRANSPORT PROJECTS ARE NOW UNDER WAY OR SOON TO START AND
THAT INCREASED DOMESTIC AND FOREIGN FINANCING IS AVAILABLE. THE
US IS PLEASED TO SHARE IN THE ACCOMPLISHMENTS IN THIS SECTOR VIA
THE FEEDER ROAD PROGRAMS BEING EXPANDED AT THE LOCAL GOVERNMENT

LEVEL.

5. INDICATE FAMILIARITY WITH AND ENDORSEMENT OF THE PHILIPPINE DELEGATION'S EMPHASIS AT THIS MEETING ON INTEGRATED AREA DEVELOPMENT - A VERY PROMISING APPROACH TO RURAL DEVELOPMENT WHICH WILL CONTRIBUTE TO LESSENING OF DISPARITY OF INCOME BETWEEN URBAN AND RURAL POPULACE BY RAISING THE INCOME OF THE POORER FARMERS AND TENANTS. CITE AS NECESSARY COMPLEMENT TO LAND REFORM ITSELF. NOTE USAID ALREADY PARTICIPATING IN SUCH AN INTEGRATED PROGRAM IN BICOL RIVER BASIN AND SAY USG PREPARED, SUBJECT TO FUTURE AVAILABILITY OF FUNDS, TO CONTINUE AND EXPAND SUPPORT FOR THIS GEOGRAPHIC AREA. EXPRESS HOPE OTHER MEMBERS OF CG WILL UNDERTAKE TO SUPPORT OTHER AREAS WHERE GOP PLANNING INTEGRATED AREA DEVELOPMENT. (PRIVATELY) AND PERHAPS BETWEEN DONORS THE USG SHOULD OFFER TO EXCHANGE VIEWS TO INCLUDE THE SHARING OF EXPERIENCE OVER PAST TWO YEARS IN JOINT GOP- USAID DEVELOPMENT OF BICOL PROPOSAL.)

6. THE SUCCESS IN MOUNTING DYNAMIC DEVELOPMENT PROGRAMS IN THE SECTORS MENTIONED ABOVE IS ATTRIBUTABLE IN NO SMALL MEASURE TO THE RELATIVELY MORE ADVANCED STAGE OF OVERALL PLANS AND SUPPORTING PROJECT FEASIBILITY STUDIES. A SIMILAR STATE OF READINESS FOR INVESTMENT WOULD NO DOUBT ACCELERATE PERFORMANCE IN OTHER SECTORS. IT WAS WITH THIS THOUGHT IN MIND THAT EARLIER THIS MONTH

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P 160939 Z MAY 73
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 5261

LIMITED OFFICIAL USE SECTION 2 OF 2 MANILA 5686
AIDAC

AID AUTHORIZED A \$2 MILLION CONCESSIONAL LOAN EXPRESSLY TO ASSIST IN PREPARATION OF PROJECT STUDIES AND ENGINEERING PLANS. WE RECOGNIZE THE VERY CONSIDERABLE TALENT IN THE PHILIPPINES - BOTH PUBLIC AND PRIVATE - TO DO HIGH STANDARD PROJECT PLANNING AND ENGINEERING AND, OF COURSE, CONSTRUCTION. WE VIEW THE ROLE OF EXTERNAL ASSISTANCE AS COMPLEMENTARY AND GAP- FILLING AND CLOSELY

RELATED TO THE AVAILABILITY OF THE EXPANDING SOURCES AND VOLUME OF FINANCING FOR WELL PREPARED DEVELOPMENT PROJECTS. IT SEEMS TO US, HOWEVER, THAT THERE IS NEED FOR A LARGER AND COORDINATED EFFORT AND THAT THE CONSULTATIVE GROUP MIGHT PLAY A USEFUL ROLE IN ASSISTING THE PHILIPPINES AVAIL OF THIS FULL RANGE OF PUBLIC AND PRIVATE FINANCING, BOTH FOREIGN AND DOMESTIC.

7. WE RECOGNIZE ONE OF THE PURPOSES OF THIS GATHERING IS TO HEAR INDICATIONS OF THE LEVEL OF OFFICIAL ASSISTANCE LIKELY TO BE AVAILABLE IN SUPPORT OF THE DEVELOPMENT PROGRAM PRESENTED BY THE HOST COUNTRY IN LIGHT OF THE AVAILABLE INDEPENDENT ANALYSIS SUCH AS PROVIDED BY THE IMF AND IBRD MISSION REPORTS. AS INDICATED AT THE BEGINNING OF THESE REMARKS, THE USG SHARES THE FAVORABLE ASSESSMENT OF CURRENT DEVELOPMENT PROSPECTS OF THE PHILIPPINES GIVEN TO US BY THE PHILIPPINE DELEGATION AND THE IMF/ IBRD REPS. FOR THE INFORMATION OF THE GROUP IT IS THE INTENTION OF THE UNITED STATES, SUBJECT, OF COURSE, TO AVAILABILITY OF APPROPRIATED FUNDS, TO CONTINUE ITS REGULAR ECONOMIC ASSISTANCE PROGRAMS AT APPROXIMATELY THE SAME LEVEL AS LAST FISCAL YEAR (APPROX. \$75 MILLION). THERE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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IS, OF COURSE NO PLAN FOR REPETITION OF THE SPECIAL FUNDING PROVIDED BY THE USG IN FY 1973 FOR FLOOD RELIEF AND REHABILITATION WHICH AMOUNTED TO AN ADDITIONAL \$75 MILLION. AS FOR UTILIZATION OF THE NEW FUNDS, BASED UPON OUR UNDERSTANDING OF PHILIPPINE GOVERNMENT PRIORITIES AND AN ESTIMATE OF OUR OWN CAPABILITIES, WE EXPECT THERE TO BE CONTINUED EMPHASIS ON AGRICULTURE, NUTRITION, FAMILY PLANNING AND INTEGRATED RURAL DEVELOPMENT INCLUDING ELECTRIFICATION AND LAND REFORM.

DECONTROL FOLLOWING 6-15-73
HAMILTON

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